

Message Text

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PAGE 01 ROME 15972 301140Z

47

ACTION EUR-12

INFO OCT-01 EA-09 IO-13 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 SSO-00 INRE-00 NSCE-00 EURE-00 USIE-00

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O R 301050Z SEP 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 0259

TREASURY DEPT WASHDC IMMEDIATE

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

USMISSION GENEVA

USDEL MTN GENEVA

AMZMBASSY MANILA 0379

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL PALERMO

AMCONSUL GENOA

AMCONSUL FLORENCE

AMCONSUL TRIESTE

AMCONSUL TURIN

UNCLAS ROME 15972

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PAGE 02 ROME 15972 301140Z

PASS FRB; MANILA PASS SECRETARY SIMON PARTY FOR WIDMAN

E.O. 11652: N/A

TAGS: EFIN IT

SUBJ: PHASE-OUT OF ITALIAN PRIOR DEPOSIT

1. ON SEPTEMBER 30 ITALIAN PRESS REPORTS THAT AT SEPTEMBER 29 PRESS CONFERENCE IN BRUSSELS, EC VICE PRESIDENT HAERKAMP ANNOUNCED THAT EC COMMISSION HAS APPROVED ITALIAN REQUEST FOR PHASING OUT OF PRIOR EXCHANGE DEPOSIT THROUGH REDUCTION IN DEPOSIT RATE INSTEAD OF COMPLETE ABOLITION AS SCHEDULED FOR NOVEMBER 3.

2. FOLLOWING IS SCHEDULE GIVEN FOR PHASE-OUT:

OCTOBER 15, 1976 REDUCTION FROM 50 TO 45 PERCENT
NOVEMBER 30 1976 REDUCTION FROM 45 TO 40 PERCENT
JANUARY 15 1977 REDUCTION FROM 40 TO 25 PERCENT
FEBRUARY 28, 1977 REDUCTION FROM 25 TO 10 PERCENT
APRIL 15 1977 TERMINATION OF DEPOSIT REQUIREMENT

3. GOI ALSO ISSUED COMMUNIQUE SEPTEMBER 29 INDICATING ITS HOPE THAT THE PLANNED PHASE-OUT OF THE DEPOSIT, IN FULL AGREEMENT WITH THE EC AND WITH PRIOR CONSULTATION WITH THE IMF, WOULD BE RECOGNIZED AS PROOF OF GOOD WILL AND OF INTERNATIONAL COOPERATION AT A TIME WHEN A PACKAGE OF MEASURES IS BEING PROPOSED FOR STABILIZATION OF THE ITALIAN ECONOMY.

4. /COMMENT/. THROUGH ABOVE PHASE-OUT OF DEPOSIT, GOI HOPES TO:

(1) AVOID CONCENTRATED PRESSURE ON LIRA DUE TO REPAYMENTS OF SHORT-TERM FOREIGN FINANCING OF PRIOR DEPOSIT DURING RELATIVELY BRIEF TIME PERIOD;

(2) PROVIDE CONTINUED PROTECTION FOR LIRA IN FACE OF PRESENT EXCHANGE MARKET INSTABILITY AND DURING NEXT SIX MONTHS WHEN ITALY'S BALANCE OF PAYMENTS IS SEASONALLY WEAK;(3) NONETHELESS DEMONSTRATE TO EC, IMF, GATT AND OTHER ITS INTENT TO ELIMINATE THIS MEASURE;

(4) ALLOW ITALIAN TRADERS TO PLAN THEIR PURCHASES AND SALES OF FOREIGN EXCHANGE WITH SOME ADVANCE KNOWLEDGE OF THIS MARKET FACTOR, AND (5) PERMIT DOMESTIC LIQUIDITY EFFECT OF PRIOR DEPOSIT (I.E.RELEASE OF ABOUT 4,000 BILLION LIRE) TO BE SPREAD
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PAGE 03 ROME 15972 301140Z

OUT OVERLONGER PERIOD OF TIME AND ALLOW GOI TO IMPOSE WHATEVER LIQUIDITY ABSORBING MEASURES MAY PROVE NECESSARY DURING THIS PERIOD.
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Disposition Remarks:
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